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# Furbish or Perish: Italian Social Cooperatives at a Crossroads

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## Abstract

Although the public debate tends to privilege investor-owned organizations, alternative forms of organization are mushrooming at the borders of the capitalist economy. In this work, we contribute to the debate on alternative economies by analysing a specific form of worker-owned organizations originating in Italy in the 1970s and recognised by Italian legislation in the 1990s: the social cooperative. By drawing on data gathered over three years of participant observation, this article explores the tensions and contradictions generated by the rapid growth of an Italian social cooperative focused on waste recovery and preparation for reuse. We show how social cooperatives might be able to reconcile their commercial success with their founding principles of equality and democratic management. This article contributes to the debate on the 'regeneration thesis' by providing new insights about: the factors and drivers that force social cooperatives to scale up and to engage in competition with mainstream competitors; the internal conflicts and solutions that emerge in this process; and the external alliances that social cooperatives can leverage to prosper and flourish.

**Keywords:** Alternative economies; post-capitalist politics; social cooperatives; regeneration thesis

## Introduction

Almost a century has passed since neoclassical economists introduced the concept of utility maximization to explain how market forces shape firms. However, it is only recently that the concern about the impact of business on society and environment has come into prominence, providing a rationale for firms to put ethics and responsibility into action and develop alternatives to capitalist accumulation and profit maximization as a way of pursuing social justice and inclusiveness. Despite significant insights regarding corporate social responsibility in mainstream capitalistic organizations, little attention has yet been paid to the emergence of organizations that pursue alternative modes of value allocation based on non-capitalist practices (Short, Moss, and Lumpkin 2009). This may be due to the difficulties in radically challenging the economic reproduction of both producers and consumer practices with unexplored alternatives which, at first sight, look unfeasible (Contu 2008).

This paper explores a specific form of *institutionalised economic practice* emerging in Italy in the 1990s as an alternative to the classical capitalist firm: the social cooperative (SC). Unlike most classical cooperatives, the SC model is strongly characterised by a number of 'non-capitalist' practices e.g. unconditional reciprocity, networking with non-capitalist entities, de-commodification of welfare, reinsertion of disabled or marginalised people among others (Thomas 2004). Although the evolution of SCs suggests that such enterprises can emerge and prosper at the borders of capitalistic economies (Boone and Özcan 2014; Cheney et al. 2014), the possibility for these organizations to scale up without compromising their founding values is still a matter of debate (Storey, Basterretxea, and Salaman 2014; Varman and Chakrabarti 2004).

The purpose of this paper is twofold. First, we intend to provide new evidence that supports the idea that SC can flourish at the borders of capitalist system by providing meaningful and sustainable jobs through the inclusion of disadvantaged groups. Second, our research aspires to show that SCs, under certain circumstances, can scale up, engage with 'business-as-usual' competitors and remain faithful to their values of social inclusion. In this sense, the present research contributes to the extant literature on the so-called 'regeneration thesis' of SCs in two ways. First our results challenge the assumption that SCs can either remain marginal or betray their values by scaling up. Second, our research provides new insights about: i) the factors and drivers that force SCs to engage in competition with mainstream competitors; ii) the internal conflicts and solutions that emerge in this process; iii) and the external alliances that SCs can leverage to prosper and growth.

## Framing Social Cooperatives as Alternative Economies

The critique of capitalist modes of production and their implications for the whole of social relations has a long history. Academic criticisms spring from a number of fronts highlighting: the incapacity of capitalist economies to generate wealth without creating inequality (Hirsch 1977; Piketty 2014); the financial instability that periodically hampers employment and erodes the civil rights of salaried workers (Gibson-Graham 2006; Martin Parker et al. 2014); the apparent impossibility of combining economic growth with environmental conservation (Daly 2005; Fournier 2008; Latouche 2009); the threat that markets pose to communities (Marglin 2008). These arguments have been echoed by social movements such as the no-global movements in Seattle, the 'Occupy' movements in the US and the 'Indignados' in Spain, just to mention a few. Pope Francis' attack on the ideology of the 'economic trickle down' as

a solution to inequality and environmental degradation (Francis 2015) underlines the pervasiveness of the call for a pluralism of approaches in the realm of economics vis-à-vis the monism of the neoclassic approach, which is considered as a concealed ideology with inconsistent empirical evidence in the real word (Fullbrook 2008).

The critique of the capitalist modes of production and consumption focuses on a number of aspects. First, some scholars analyse and criticise the commodification of exchange in capitalist economies. A particular emphasis is given to the monetization of economic transactions through the market, which comes at the expense of non-marketable forms of transaction e.g. household care, gifts, unconditional reciprocity, social obligation, self-production (Illich 1981; Parker et al. 2014; Polanyi 2001). As a consequence, unpaid labour is relegated to the role of 'reproductive' work to support 'real production' (Gibson-Graham 2006) and reproduce gender domination and inequality (Federici 2013). Second, the centrality of capital accumulation in the 'Money-Capital-Money' cycle, which i) favours the disconnection of production from consumption i.e. goods are consumed miles away from their production sites and consumers have no possibility of influencing the production process; and ii) favours the dominant position of the discourse of capitalist forms of organization i.e. investor-owned for profit firms operating in monetised economies (Gibson-Graham 2006). Finally, the way *capitalocentrism* neglects economies based on non-monetary transactions is evident in the use of the GDP as the main macro-economic performance indicator (Fioramonti 2013; Fournier 2008).

Despite the tendency of hegemonic capitalocentrism to consider diverse 'languages of economy' as 'non-credible alternatives to what exists' (Santos 2004), a vibrant and colourful diversity of *alternative economies* survive. Classical forms of cooperativism are now complemented by radical solutions in agricultural production i.e. agroecology and permaculture (Smaje 2013); housing i.e. co-housing initiatives (Chatterton 2013); consumption i.e. production/consumption cooperatives and ethical purchasing groups (Brunori, Rossi, and Guidi 2012); community initiatives i.e. transition towns (Aiken 2012) and ecovillages (Xue 2014); energy i.e. community-based decentralised production (Hargreaves et al. 2013); industrial production i.e. open source movement, fablabs and maker communities (Hák, Janoušková, and Moldan 2016; Smith et al. 2013). Not only those countervailing voices question the way good and services are produced and distributed, they also challenge the power structures that underpin labour management practices within organizations (Spicer and Bohm 2007). According to Gibson-graham (2006), alternative economies start from the need to re-politicise the economy and lead to a very diverse combination of transactions, labour arrangements and organizational settings. In this framework, cooperatives – as alternative capitalist organizations – operate within the borders of the market economy without aiming at capital accumulation by private individuals. The ways they complement their activity with diverse modes of supply and delivery (e.g. alternative currencies, local trading systems, fair-trade schemas and also informal market networks) reflect the creative potential that offers a concrete alternative to capitalism.

### Social Cooperatives as Practices of Alternatives Economies in Italy

In spite of the mushrooming of alternative forms of organization, the public debate is still focused on investor-owned organizations (Parker et al. 2014). We thus aim to contribute to the debate on 'economic diversity' by analysing a specific form of worker-owned organizations originating and developing in Italy since the 1970s and recognised by Italian legislation in the 1990s: the social cooperative (SC). The environment in which SCs operate

and flourish can provide important insights into new forms of ownerships, funding, decision-making, leadership and communication alternative to the classic capitalist forms (Gibson-Graham 2003; Heras-Saizarbitoria 2014). The theoretical foundation of SCs can be located in the approach of the '*civil economy*' which has had a long and important tradition in Italy since the 17<sup>th</sup> century (Bruni and Zamagni 2007). As opposed to capitalist economics, civil economy frames economic transactions essentially in terms of reciprocity and solidarity. In this view, the institution of the market is either morally neutral or morally corrupt (e.g. the medieval reputation of merchants, see Polanyi (2001)). A functioning economy is value-driven and context-based in order to pursue the satisfaction of 'reciprocal needs' and to guarantee the 'reciprocal obligation to assist' (Bruni and Zamagni 2007). These principles are embedded in the modern idea of SCs, whose legitimacy thus comes from the centrality of social and environmental values in their mission. SCs originated in Italy in 1991 with the introduction of Law 381<sup>1</sup> which regulates the activities of 'volunteer organizations engaged in an improved deployment of human resources and the integration of disadvantaged citizens into society (minors, the disabled, drug addicts, the elderly, former prison inmates, the mentally handicapped, and immigrants) (Thomas 2004). Furthermore, it must be noticed that Italy, especially the centre-northern region, has a long tradition of industrial clusters based on family businesses strongly connected in networks of mutual assistance. This very specific environment certainly favoured the institutionalization of alternative forms such as the SCs (Menzani et al. 2010).

The development of SCs can be classified in two categories (Borzaga 1996): type A covers caring activities such as the management of social-health care, educational and social services; type B focuses on training activities e.g. introduction of marginalized people, disadvantaged people with physical or mental disabilities, etc. who are unable to access the employment opportunities offered by the 'normal' labour market. According to Poledrini (2014), in recent years SCs have been able to substantially increase the productivity of 'disabled workers' to reach levels that are comparable to those of standard businesses. According to the same author, the success of SCs lies in the capacity to leverage on the surrounding social context to create a mutual benefit within a network of reciprocity enacted by several social agents e.g. volunteers, civil society organizations, public and private institutions. Two basic elements distinguish SCs from other alternative capitalist forms (Poledrini 2014, 466): i) the social purpose of SCs is to satisfy the community's general interest in human welfare and social integration; ii) SCs adopt a multi-stakeholder governance which includes employees, volunteer workers, but also sponsors and beneficiaries. Since their origin, SCs have been growing in number and importance (Costa et al. 2012) and their range of activities has expanded including other fields such as environmental conservation and sustainability (Osti 2012).

### Degeneration and the 'Growth Dilemma'

Considering the transformation of welfare systems in Europe toward a less state-centred model, SCs are deemed to present a great potential for delivering social services without compromising the spirit of universality and equity of welfare provisions (Defourny and Nyssens 2008; Sepulveda 2015). According to Defourny and Nyssens (2010), various forms of third-sector organizations (such as SCs, charities or social enterprises) could not only reduce

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<sup>1</sup> Law n. 381, 8th of November 1991, " Regulation of Social Cooperatives" (Published in the Official Gazette on 3rd December 1991, n. 283)

public expenditures, drastically shrunk by fiscal crisis, but also better serve people needs thanks to their strong links to the territory in which they operate. SCs have also proved to be surprisingly resilient to economic crisis and the restructuring of public welfare expenditure that, at least in part, is supposed to fund their activities. Costa and Carini (2016), for example, found that, despite the global financial meltdown, Italian SCs – especially in the north of the country – increased their overall turnover and total assets between 2008 and 2011. Borzaga and Fazzi (2014) documented how Italian SCs have proved to deliver efficient welfare and health services, but they also warn about the risk of SCs to become 'suppliers of professionalised services with what is by now a very loose relationship with civil society' (Borzaga and Fazzi 2014: 240). This 'professionalization' of SCs, which has been observed also by other scholars, hugely varies among regions and socio-cultural contexts (Kerlin 2010). In any case, SCs can have a relevant impact on welfare provision and jobs creation only if they are able to diffuse rapidly or to scale up. The scaling up of SC operations would certainly imply a higher organizational complexity that might require indispensable managerial practices, professional skills and methods of business management to operate in an increasingly competitive setting (Borzaga and Fazzi 2014; Mancino and Thomas 2005). A crucial challenge for SCs, hence, is the need to manage the transition to a more complex operating scale without compromising its constitutive social vocation, its role as the social connector of diverse stakeholders and its local legitimacy (Cheney 2002; Travaglini 2012).

The SCs literature frequently focuses on the contradiction between expansion and remaining loyal to the founding ethical values during this expansion, which is a dilemma that can occur several times during the life cycle of the organization. As pointed out by Borzaga and Fazzi (2014), unlike capitalist companies, SCs can be poisoned by growth and 'professionalization'. SCs usually grow under the impulse of enthusiastic leaders, typically trained within the organization, who are willing to maximise the social impact of the cooperative. When SCs start to grow and when internal or external contingencies force the organization to change, they usually find themselves at a crossroads with (at least) three possible alternative paths. One possibility is to deliberately decide to stop growing by limiting their activity at a local level. In this case, SCs simply refuse to compete within the paradigm of market economy and opt for a protected niche. This can happen for a number of reasons: e.g. there are not enough internal capabilities to scale up; growth can jeopardise internal democracy; many cooperatives think that a greater social impact can be achieved better at a small scale. A second option is to accept to pursue profits within the paradigm of market economy with the risk of degenerating into a business-as-usual cooperative. This may happen under an *uninspired leadership* that conforms to capitalistic values and imaginary (Borzaga and Galera 2016). In the cooperative literature, this second path is also known as the 'degeneration thesis' (Storey, Basterretxea, & Salaman 2014). This 'degeneration' might lead to an expansion of the cooperative but it often represents a compromise between the cooperative's original ethical values and the sirens of capitalism (Flecha and Ngai 2014).

A third path consists in a controlled growth that conciliates the social mandate of the cooperative with the pressure to generate profit. This possibility is also known as 'regeneration thesis'. Storey et al. (2014) explored how the senior managers in the John Lewis Partnership and Eroski succeeded in growing by remaining loyal to the founding principles of their organizations. As shown in the case of John Lewis, this reconciliation does not exclude tensions and conflicts between the commercial and social missions within the organization (Paranque and Willmott 2014). The 'democratic member control', 'member economic participation' and 'autonomy and independence' are continuously renegotiated to achieve a

dynamic equilibrium. On the same lines, Storey et al. (2014) argue that the key to success is the ability to maintain a dynamic and prone equilibrium between the over-enthusiasm of the market and the defensive sallies from the cooperative fundamentalists. The outcome of this continuous negotiation is usually a more hierarchical structure of the cooperative designed to boost efficiency and speed up decision making (Storey, Basterretxea, & Salaman 2014). Nevertheless, Varman & Chakrabarti (2004) suggest that cooperatives can be more efficient without compromising their internal democratic organization. Personal commitments and enthusiasm, in this view, would contribute to the well-functioning of the organization. In the rest of the article, we contribute to the 'regeneration thesis' by shedding light on the difficulties of 'reinventing democracy' within SCs vis-à-vis the necessity to tackle the external (e.g. increasing competition, privatization of services) and internal challenges (e.g. conflicts between worker-member-owners and temporary workers) that hamper the cooperative's stability.

## The case: Cooperativa Insieme

### Research settings

Despite flourishing in Italy, the SC model is threatened by a renewed neoliberal expansion that forces it into a space of political and economic confrontation with capitalist organizations. The space in which SCs have been operating over the last two decades has opened up to external competition. Only a few SC have demonstrated the ability to survive and scale up through improving their productivity/efficiency without compromising on internal democracy. Cooperativa Insieme is a notable case of SCs that boasts nearly 40 years of experience in the social inclusion of disadvantaged people in the field of waste recovery and preparation for reuse (i.e. second-hand market). With more than 120 members, a strong reputation among other SCs and within the network of profit and non-profit associations in the field of reuse in Italy (Rete ONU), participation in European projects on resource efficiency (e.g. Life PRISCA<sup>2</sup>), the Cooperativa Insieme provides an interesting, unusual and particularly revealing set of circumstances whose significance goes far beyond the local level. The Cooperativa Insieme is currently active in a number of commercial initiatives that range from the design and management of municipal recycling centres to second-hand commerce. At the same time the cooperative remains a rigorously democratic organization where equality and empowerment are the prominent values.

Cooperativa Insieme was set up in Vicenza, Italy, in 1979 by a small group of volunteers from a local foster home who shared the same commitment to help disadvantaged and marginalized people through dignified employment. Since 1979, Cooperativa Insieme has created jobs for more than 800 people who suffered from social exclusion, intellectual disabilities and mental or physical conditions. Apart from the fiscal positive implications (i.e. SCs enjoy very favourable tax conditions), the decision to opt for a non-profit legal status was due to the importance of ethical values such as solidarity, equality and mutual cooperation. The focus on waste recovery/recycling and preparation for reuse reflected a commitment to environmental conservation and sustainability.

Unlike other social cooperatives with similar backgrounds, the Cooperativa Insieme stands out thanks to the continuous development of a pervasive ecosystem of local stakeholders who support its activities. In 1983 Cooperativa Insieme set up a legal service that assists

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<sup>2</sup> See also: EC LIFE+ PRISCA, <http://www.progettoprisca.eu/en/> accessed on February 2016

prisoners in their rehabilitation and re-integration into society. In 1995 Cooperativa Insieme created an association, called the Open Families Network, which provides a shelter for deprived people, followed in 1997 by Tangram, an association that provides professional training for disadvantaged minors. In 1999 Cooperativa Insieme set up an association to bring together the Cooperativa Insieme with the Open Families Network and Tangram, two organizations based exclusively on voluntary work. The resulting association also encompasses physical infrastructures such as recycling centres and shops selling second-hand articles, which are not only the backbone of the value chain of the waste to second-hand business, but also provide the physical interface with local citizens. These infrastructures also promote other initiatives ranging from a cafeteria that sells organic and local food to cultural events. In 2005 the cooperative opened a new headquarter paving the way for a decade of expansion. Today the cooperative manages the biggest waste reuse/recycling centre in the area and has a notable share of the local second-hand market.

## Methods and data

The data collection was conducted by the authors during three years (from 2013 to 2016) of research collaboration with the cooperative's members. During this period, the authors have been allowed to observe directly the production and organizational processes of the cooperative, conduct auditing activities and being engaged in the performance review system. Emails and phone calls between the authors and the personnel of the cooperative involved in the research ensured information flows on almost daily basis. More than 300 pages of documents (e.g. internal reserved and public documents, newspapers articles and website links) were accessed and analysed in order to grasp the internal procedures for value creation and appropriation. These activities allowed the authors to get a thorough understanding of inner nature of the cooperative. Furthermore, two rounds of interviews were audio recorded and verbatim transcribed by the authors in October 2014 (13 in-field interviews with workers occupying key positions through the production and organizational processes, total length 3h 30 minutes) and December 2015 (7 phone interviews with funding senior members, total length 8h). The first round focused on the perceived impact on the organization of the recent implementation of a new business model to commercialise second-hand products. Once a common vocabulary and a first-level understanding of the internal dynamics had been established, the second round focused on the recent expansion of the cooperative activities. The turnover of the cooperative, indeed, has raised from 1,82 M€ in 2006 to 2,72 M€ in 2015, with a peak of 2,88 M€ in 2014. The number of employees has raised from 68 in 2006 to 94 in 2015 with a peak of 105 in 2012.

The data collected were subsequently analysed following a 'qualitative grounded theory' approach (Gioia, Corley, and Hamilton 2012). The analysis followed two main stages: the creation of a *data structure* and a discussion on the relationships existing between the theoretical dimensions that emerged from such a structure. In order to create the data structure, we started with an initial open data coding, maintaining the integrity of 1st-order (informant-centric) terms. As suggested by Miles & Huberman (2003), we performed an initial open-coding informed by the original research question: *How did the cooperative scale up and still remain faithful to their values of social inclusion?*

At a later stage, we grouped the categories that emerged from the data until we reached a number of codes that did not overlap with each other (typically between 20 and 30). After this first step we performed a 2nd-order analysis based on the question: *is there some deeper structure in the 1st-order array?* In this phase, we asked whether the 1st-order codes



suggested concepts that might help us to describe and explain the *narrative* of the interviewees. This step provided us with a list of 2nd-order (theory-centric) themes that were finally assembled into a number (typically 3 or 4) of overarching theoretical dimensions. In the following section, we continue to describe the three main theoretical dimensions that emerge from the data set: i) Market-drivers of organizational change; ii) Identity evolution and visionary pathways; iii) Internal organization responses.

## Findings

The analysis and interpretation of the data collected suggest a dynamic scenario in which the core values, organizational routines and internal stability are challenged by a number of external factors: new waste management regulations and public tender requirements, increased import of low-cost goods and greater competition in recycling markets. These external elements mainly consist of market-driven challenges due to institutional changes, which affect the surrounding environment of the cooperative. In order to survive and grow in this changing environment, the cooperative has implemented a number of internal changes. This evolution is mediated by two major factors: the *identity* of the organization based on principles such as inclusiveness, equality and empowerment of the workers; the connection with the local community of stakeholders who support and legitimate the actions of the cooperative. The process is detailed in the rest of this section.

### Market-drivers of organizational change

The first external factor that drives organizational change in the cooperative is the recent increase in commercial competition after 10 years of undisputed expansion enabled by the construction of the headquarters in 2005. As one member of the board of directors reported:

'After ten years of monopoly in the field of second-hand goods, competition was a shock for us.' -  
(Member of the board of directors, audio interview)

For years Cooperativa Insieme has been the only business in the area to provide cheap second-hand furniture and apparel. By recognising the social value embedded in the cooperative's products, loyal customers guaranteed the survival of the organization. More recently, other actors have entered the second-hand market. Vintage stores have been traditionally the only competitors in the second-hand market. This scenario has radically changed after 2012-2013. Beside the increasing presence of low-cost shops of imported goods, e.g. three Chinese import mega-stores have been opened in the city in 2015, a serious threat has come from second-hand franchises, which are springing up in the area. The model is simple: with a few thousand euros it is possible to open a small shop (or an e-commerce webpage) that sells all sorts of second-hand products. The products are usually offered by private individuals who are paid only when the goods are sold. Unlike Cooperativa Insieme, which collects (from municipal waste collection centres or 'recycling centres'), restyles and owns the goods, fulfilling strict regulations on waste management, second-hand franchises do not treat (and refurbish) wastes, thus it has very few operational costs and virtually no labour costs. As a result, these new actors have a more flexible cost structure, which - in a

time of crisis - represents a serious threat for the cooperative market share. One member reported:

'People tend to dispose goods regardless the fact that they still have a market value. Our professionalism in preparation for reuse and refurbishing adds additional value whenever possible to these items, which lowers the impact on the waste management system and creates respectful job opportunities. [...] Low cost second-hand franchises are paid just to facilitate the selling of those goods that already have some market potential. This has an impact on both the items we are able to collect and our customer demand.'

- (Member of the cooperative, audio interview)

Furthermore, there is also considerable competition in waste recovery and recycling. In the last decade, public tenders for municipal waste recycle have become appealing for an increasing number of local and national private companies with higher technical capabilities and greater financial capacity. The stability of the historical partnership between Cooperativa Insieme and the waste management company owned by the local municipality has thus become more uncertain in the last two tenders. This is mainly due to two reasons: first, European policies on waste management are increasingly asking the companies that collect municipal waste to be accountable for the end-of-life of materials; second, public procurement in municipal waste management tend to award a contract to the most economically advantageous tender and, thus, to favour the selection of a company for the management of the entire waste management system under efficiency criteria. Beside this, the model of 'recycling centres' developed by the cooperative in the late 1990s is becoming popular in Italy and, therefore, the number of competitors that can offer adequate experience to secure public tenders in the field of waste management is increasing. This poses a crucial challenge for the cooperative, which - since its inception - has relied on semi-professional and unskilled labour. In the words of one of its members:

'Public tenders pay much more attention on financial aspects than on operations. Similarly, environmental and social impacts are nearly completely disregarded' - (Member of the cooperative, audio interview)

As a consequence:

'The market requires efficiency, optimization, high level planning and strategy. Today we need to optimise organizational and production costs, something that did not happen in the past' - (Member of the cooperative, audio interview)

In other words, the entry in the waste management business of efficiency-maximising competitors with higher professional skills represents a threat for the cooperative. These challenges profoundly affect two aspects of the cooperative: the way production is planned and organised, and internal decision making. Traditionally, the focus of the cooperative has been on the inclusion of disadvantaged subjects into a number of productive activities which in turn generate a portion of the income necessary to keep the organization running. This

mission, combined with the founders' rigorous principles of equality and empowerment, has favoured a horizontal/democratic approach to management (i.e. all the members are equally important and represented, regardless the tasks they accomplish) over hierarchical rigid structures (i.e. where different levels of authority come with non-reciprocal chains of command and control). The organizational structure thus consists of only two elementary building blocks: workflow-based teams, in which the members pursue the same operational objective under the supervision of a senior member (e.g. collection, reparation and selling of bicycles, garments, furniture, antiques, etc.), and the "cabina di regia" (i.e. literally the 'cockpit'). The "cabina di regia", which is the only control board entitled for taking critical decisions and monitoring the achievement of strategic objectives, meets regularly and its meetings are open to all the members. Senior members, thus, do not hierarchically coordinate or 'command' the new members, but act as tutors to help them realize their potential, which is measured also in terms of social impact. In doing that, they are committed to link creativity and problem solving by stimulating and facilitating the dialogue in the "cabina di regia" and in daily informal circumstances. Not only all the members have equal weight in voting for strategies and key decisions (e.g. those related to the expansion occurred in 2015) and enjoy total salary equality, but they also have the same opportunities to contribute to their definition. The primacy of ideas on hierarchies emerges from both periodic formal meetings and daily informal discussions aimed at solving information asymmetries. These discussions, which typically arise spontaneously at team level, are socialized with the rest of the cooperative also through conviviality, which is an organizational tool that is preserved e.g. by making the cafeteria and the bar lively spaces with a chill-out atmosphere. Even the length of the discussion on critical decisions is not imposed because *"the development of a common sense of time-efficiency is itself one of the goals of the organizational life"*, as reported from one senior manager. As a consequence, social inclusion was considered since the founding of the cooperative a key manifestation of efficiency, being efficiency conceived as the ability to avoid wasting social value, and participation of strategic planning, being strategies conceived as a plan of action designed to achieve social value. In other words, the economic dimension has always been functional to the social mission of the cooperative. Moreover, subsidies – which usually are aimed at improving financial performance instead of social performance - have never been considered a priority in comparison to the other cultural initiatives promoted by Cooperativa Insieme. As one member of the board of directors reported:

'Our goal is to rely only on the value that we create with our work, which is respectful and valuable' -

(Member of the board of directors, audio interview)

This increasingly competitive market imposes a new perspective on the organizational routines that govern the cooperative. This also includes the consolidation of non-core skills and competencies. An example is the creation of a health-safety and environment (HSE) unit, which increased the expertise of the cooperative in dealing with environmental regulation. The unit has become a point of excellence in Cooperativa Insieme, as shown by the increasing number of support requests received from companies that are struggling to comply with complex sectoral regulations. At the same time, this process resulted in a change of the attitude of the members towards the commercial operations of the cooperative. In the interviewees' words:

'Our sales points provide fresh cash. If we want to become less dependent on public tenders we need to change our attitudes towards the clients' - (Founding member of the cooperative, audio interview)

'We became sellers!' - (Member of the cooperative, audio interview)

From the interviews, it emerges that today the cooperative faces unprecedented challenges due to new competitors that push them to increase efficiency of production and optimise costs. To address these challenges the cooperative has been forced to acquire entrepreneurial skills, e.g. managing stock variances in the warehouse, dealing with business-as-usual suppliers and clients, managing more complex accounting systems. These elements have been mostly neglected and often even opposed in the past by the original members, who feared that this sort of 'professionalization' of the cooperative would have undermined its foundational values of solidarity and social inclusion. According to the interviewees, the generational change (i.e. a new generation of younger members more inclined to acquire new skills) and the pressure from the new competitors overcame this initial inertia. Nevertheless, as many interviewees have stressed several times, the importance of community inclusion in decision making processes prevails over economic performance, which is conceived as a mean and not as the goal of the organizational efficiency.

### Cultural identity and visionary pathways

The new challenges presented above led the cooperative to several internal conflicts both in the past (i.e. as reported in the interviews) and in recent times (i.e. as observed during the implementation of the new waste management practices). Two major elements, linked to the building of the cooperative's identity, emerged from the interviewees as mediating factors in the evolution of the cooperative. The first is the original core mission of the cooperative which is enacted daily by its members by promoting of inclusiveness and equality. The members share the idea that the cooperative is a collective enterprise in which each person has the same value and weight; '*an orchestra without a director*' as one of the interviewees told us. In other words, each member is responsible for the well-being of the cooperative and, at the same time, is – at least in principle - able to shape the fate of the organization. This implies parity in salaries among all the members, the right to be informed of all the critical decisions, as well as the possibility to influence the direction of the activities conducted within the cooperative. Interestingly, these principles are also the pre-conditions for joining the cooperative. In the words of one of the interviewees:

'We all shared the same values before joining the organization. Even technical workers joined the cooperative because they share our social and environmental principles.' (Member of the cooperative, audio interview)

These enduring values of the members also influence the activities that the cooperative is engaged in. The recycling centres and the second-hand business are both driven by an anti-consumerism sentiment, a profound environmentalism, and the desire to see labour as an activity that creates social goods rather than profit.

The second element that characterises the cooperative since its early beginning is the ecosystem of stakeholders in which it is embedded and on which it draws its social legitimacy. In the words of one of the founders:

'When people buy our products, they know that this is not just the Cooperativa Insieme ... they know they're supporting a network of social actors who benefit our community greatly such as Cooperativa Tangram, Network Open Families and many other local initiatives' - (Founding Member of the cooperative, audio interview)

'In a sense, the commercial activity of the cooperative gives visibility to our non-commercial activities' - (Founding Member of the cooperative, audio interview)

The cooperative could not exist without the network of personal and institutional contacts that legitimise its activities on the local level. Apart from the formal and informal links between the cooperative and its twins Tangram and the informal network of Open Family, the organization is open to monitoring and support from the local community. Consumers, unlike donors, are perceived as active multipliers of a cultural change. An emblematic example of this is the process that led to the construction of the cooperative's present headquarters which is both a workshop, a store and a shop selling the cooperative's products. For about 25 years (i.e. 1979-2005), the cooperative had rented a warehouse in the outskirts of Vicenza. At that time, the warehouse was functional to receiving materials to be recovered, but was not adequate to support an efficient flow of items between the laboratory and the shops. Thus, when the landlord decided to triple the rent, the members unanimously agreed to start from the scratch and build a new premise to increase their presence in the local society. Soon after, a committee that involved local civic society groups was established. The committee was composed, among others, of the members of the cooperative, a magistrate, an architect, Banca Etica<sup>3</sup> and a dozen representatives from local environmental and social organizations. The committee was in charge of the fundraising for the new headquarter and of coordinating a participatory body to plan and carry out the construction of the new space. For months, the cooperative was the focus of public debate in Vicenza and several local actors contributed to the creation of a new space in which the organization and its members could flourish. After a decade (between 2013 and 2015) the increased volumes of production made it necessary to build another warehouse conveniently equipped with modern shelving units and traceability devices. The success of the cooperative in the recycling business attracted the interest of the Italian national research council that supported the new expansion through the Italian Ministry of the Environment. In both the cases (i.e. new headquarter in 2005 and new warehouse in 2015), external forces of change resulted in an increased capability of the cooperative to produce impact.

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<sup>3</sup> Banca Etica is an Italian bank committed to a more transparent and responsible management of financial resources that aspires to meet socio-economic initiatives, inspired by the values of sustainable social and human development. ( <http://www.bancaetica.it/> accessed on February 2016)

## Internal organizational response

The external challenges described above led to changes that, especially in the last decade, affected at least three aspects of the organization. The first aspect regards the financial viability of the cooperative. In order to deal with competition, in 2005 the members came to the conclusion that marketing their products effectively could not be relegated to a secondary activity. Since the cash flow generated by the cooperative shops was crucial for their survival and independence from external subsidies, sales should be regarded – now more than ever – as a fundamental pillar of the organization.

In this perspective, the construction of the new headquarters, which was finished in 2005, was a turning point rivalled for importance only by the inauguration of an additional modern warehouse and additional shops in 2015 and 2016. To reflect this (at that time) new focus on marketing, the shop floor was reorganised to attract new clients and the look and feel of the products was drastically improved. In order to differentiate their products from their direct competitors, such as second-hand franchising markets, the cooperative started drawing on the social value attached to their products. The new building allows the clients to get in touch directly with the members of the cooperative involved in the production. Moreover, the marketing strategy explicitly started leveraging on the ways the products are collected recycled and renovated giving the clients an overall idea of the social benefit attached to the products they buy. The main value proposition is that not only do the clients buy an appealing second-hand product, they also contribute to the well-being of the local community by recycling and supporting the integration of disadvantaged young people in productive activities. As a consequence, as reported by the internal market analysts, the client profile has been slowly changing over the last decade. The traditional clientele of small retailers and young people, often unemployed, has been replaced by middle class clients. In the words of one of the interviewees:

'We try to continuously improve our work. This means that when we are at the recycling centres, we cannot just focus our attention to few pieces with high market potential. Nowadays, an increasing number of people is aware of the need for a more responsible consumption.' - (Member of the cooperative, audio interview)

The second aspect is the inclusion in the organization of technical roles to improve the efficiency of the production. According to the interviewees, right from the start there was a demand for skilled professionals. The necessity, however, was increasing with the scaling up of the cooperative occurred between 2005 and 2015 and, thus, the need to manage an increasing number of complex processes (e.g. recycling centres, disposal and reuse of waste, ICT and financial accounting). The demand for skilled individuals, however, does not ideally match the process of recruiting and renewal of the cooperative's members. As mentioned above, joining the Cooperativa Insieme means having a vocation, a specific worldview that implies the acceptance of ethical values such as salary parity among the members, horizontal participation, and individual responsibility towards the colleagues. These factors make the recruitment of certain specific categories of professional (e.g. financial experts, expert electricians, etc.) problematic as they might be interested in the cooperative's activities but might not necessarily share its values. To overcome these shortcomings, in 2005 the all the members of the cooperative decided to create a new profile - a salaried employee who is not

a member of the cooperative. Thanks to this decision, today some employees with proven expertise operate within the cooperative even though they do not embrace all its values and norms and, thus, are not full members.

The third aspect regards the internal organization of the cooperative, which, according to the interviewees, is also the most problematic. The pressure to be *more efficient*, to scale up and to be competitive conflicts with the founding principles of the cooperative, the members' active participation, and empowerment. For decades, the cooperative has functioned according to a pure mechanism of participation based on collective decisions and unanimous consensus. Every Monday the members gather in a general assembly and debate the state of the cooperative and the plans for the rest of the week. These spaces of participation were paid as working hours. In order to optimise the cooperative's activities, more recently (i.e. since the further scale up in 2015) a Board of Directors was established by co-opting senior internal members. The board is in charge of deliberating on the daily activities of the cooperative without going through the assembly of members, however board members are expected to preserve the original values. In fact, all the members have access to the information about the decisions taken by the board and, above all, the control on its persistence within the cooperative. To this end, the board reports on its activities to the assembly still takes place every Monday, but the participants no longer receive a compensation. These changes, which in many ways appear to undermine some of the original values of the cooperative, are tolerated by many and opposed by a few. As some of the interviewees told us:

'Inevitably, we have become like a firm now, but it is now more difficult to maintain the participation of all the members' - (Founding Member of the cooperative, audio interview)

'We need to take decisions quickly, and this sidelines worker involvement' - (Member of the cooperative, audio interview)

For some of the interviewees this is a weakness vis-à-vis the external challenges that threaten the stability of the cooperative. For others, this is the sign of a vibrant and dynamic organization that is able to reinvent itself for the survival of its founding principles. Despite the on-going lively debate about scaling-up Vs participation and efficiency Vs the pursuit of social values among the organizations' members, there is no doubt that the commercial success and the prosperity of the cooperative, together with the strict preservation of its original identity and values, makes Cooperativa Insieme an interesting step towards an alternative economic model.

## Discussion

In this article, we aimed at better understanding under which conditions SCs can regenerate by scaling up their activities while preserving their foundational values. We focused on the story of the Cooperativa Insieme, an organization that has struggled for 37 years to create a radical democratic alternative within its organizational routines. We suggest that the organization solved the 'growth dilemma' by scaling up their activities but, at the same time, remaining loyal to its founding principles without compromising on internal democracy. In

this section, we elaborate on these findings to discuss their implications for the 'Regeneration Thesis' literature. We suggest that two main factors were fundamental in preventing the cooperative's 'degeneration' into a more market-driven organization: *the process of identity building* and *the role of the social network of stakeholders that supports the cooperative*.

### Theorizing the role of the Cooperative Identity in preserving its foundational values

Our findings make visible the role of the cooperative's identity and the sense of belonging that shape all the organization's initiatives. We observed that the process of identity building that characterised the journey of the Cooperativa Insieme since its foundation has a crucial role in its 'regeneration'. This confirms what suggested by Borzaga and Galera (2016), that SCs that are supported by a social movement that shares strong ideals and a common identity have more chances to survive and scale up. We suggest that the process of identity building in the Cooperativa Insieme is based on two mechanisms.

The first consists in building up the cooperative identity around its commercial activity. Our analysis shows that the organization was able to embed and transfer its identity in their economic activity to gain a competitive advantage vis-à-vis their new competitors. According to the interviewees, for instance, one of the key elements in the commercial success of the cooperative has been the reframing of their cash-generating activities from a 'necessary evil' to an unexploited opportunity. This change, which implied also an ideological shift for the cooperative's members, has been managed by creating a strong identity around the cooperative's outcomes i.e. their second-hand products, their cultural initiatives, their recycling work. This 'identity' counterbalances the pressure to compete on the grounds of efficiency and optimization by adding critical competitive advantages to the cooperative's products in comparison with their profit-seeker competitors. Furthermore, this added value is not aligned to the capitalist logic of profit maximization but rather represents an intangible (non-commodified) social good (Gerber and Gerber 2017) i.e. by buying the cooperative's products, clients also implicitly (but often overtly) support their non-commercial activities. In this way, through the consumption of the cooperative products, the clients feel part of a bigger network of stakeholders whose objectives are aligned with the cooperative social and environmental goals e.g. the provision of meaningful jobs for disadvantage groups or the recycling of urban waste. The logic behind the effective extension of the concept of value from the monetary dimension of a product to the more complex social desirability of an ecosystem resides in the mutual recognition and responsibility among actors. For example, the de-commodification of goods via the influence of organizational and ecosystem identities is evident in the evolving perception (and identity) that the members have of the consumers. Unlike the past, today, the commercial activities (e.g. sales, client relations and marketing) are not perceived as an undesirable necessity but as means to trigger a broader social change. Similarly, consumers feel they are becoming more actively involved in the ecosystem through an increasing number of physical interfaces (e.g. recycling centres, shops, the bar, and the initiatives that Tangram and the Open Families Network organize in the city). This has happened with a radical shift in the attitudes of the cooperative's members towards 'social marketing' i.e. Not only we recycle, reuse and employ disadvantaged people, we are also good at producing economic values out of our activities.

The second mechanism of identity building is based on the reinforcing of the principles of internal democracy and equality. The principle of equality in Cooperativa Insieme comes with a number of organizational implications. The first is salary parity, which reflects the supremacy shared by the members of ethical values over personal benefit. As noticed in other



contexts, much more than just symbolism, this equality is a precondition for joining the organization, which applies to everyone, including experienced members or disadvantaged people (Bernard Paraque and Willmott 2016). Second, equality implies a shared leadership, which is evident in the horizontality of the organization. This has led through the years to the implementation of a model that reflects the metaphor of the 'orchestra without a director', where every member contributes according to their personal talents and skills, and tries to remain in harmony with the others. The rhetoric of the 'orchestra without a director' was a central theme of the cooperative's identity that is hugely used to promote and legitimise their activities vis-à-vis their business-as-usual competitors. This narrative has, though, evolved in time. More recently, the increasing complexity of the organization's activities, which requires a significant amount of 'peer-listening', has led to the introduction of a board composed of experienced members. This innovation, despite some reluctance from the board members themselves in accepting the role, has led to the evolution of the 'orchestra without a director' model toward an 'organized orchestra without a director'. The result is a reduction in decision-making time with little impact on the inclusiveness and empowerment in all the phases of the cooperative's life. Returning to the metaphor of the orchestra, the board is not asked to define the arrangements, but just to control the volume of the different contributions to favour self-tuning and harmony. This, of course, to some extent violates the assumption that all the contributions are equally relevant, but still leaves all the members with the possibility to take an active part in the composition. Despite these internal adjustments, our findings show that the cooperative members are still strongly motivated by the fact they are working for an inclusive and democratic organization. This a fundamental characteristic of the organization identity.

In conclusion, the case suggests that SCs built around a strong social (and local) identity can create value by leveraging on non-commoditised markets. This implies that the regeneration (and the survival) of a SC necessarily requires mechanisms to reinforce, protect and evolve the organization's identity to remain anchored to its foundational values. However, external factors can always threat such a process. The pressure of capitalist markets can create tensions (Paraque and Willmott 2014) and threaten the stability of the ecosystems that support SCs, which resistance is not limitless (Narvaiza et al. 2017). Furthermore, as it has been noticed in several occasions, capitalist organizations can find ways of benefitting by appropriating the social discourse and identity of organizations such as the Cooperativa Insieme (Marques and Mintzberg 2015). Further research is required to better understand how SCs can protect, evolve or, even distort, their identity due to the pressure of external factors.

## Theorizing the role of the social network of stakeholders in the flourishing of Social Cooperatives

So far, the literature on SCs has documented that they can often survive in segregation from mainstream capitalistic economies (Parker et al. 2014). What's more, the mobilization of citizens committed to institutional change can allow the emergence of SCs even in hostile ideological, economic and political contexts (Borzaga and Galera 2016). According to Grillo (2015), the conditions enabling the emergence of such a bottom-up process includes the existence of a critical mass of committed people, such as volunteers, civil society groups or individual citizens who play a key role in the creation and survival of SCs. Our analysis confirms the importance of the network of stakeholders that not only support the emergence

of SCs, but also assure their survival. This latter point has important implications for the regeneration thesis. The emergence of a stakeholders' ecosystem (e.g. municipalities, local banks, professional organizations, social organization) enables – via a process of social legitimation (Johnson, Dowd, and Ridgeway 2006) – a number of compensation mechanisms that range from institutional support (e.g. voluntary members of the advisory committee in fundraising initiatives) to consumer behaviour (e.g. preference for products and services branded as 'Cooperativa Insieme'). Furthermore, as already observed by Borzaga and Galera (2016), a networking ability resulting in effective lobbying activity was fundamental to the survival and expansion of the cooperative (e.g. see the story of the acquisition of the new warehouse and the construction of a new headquarter). These factors proved to be crucial in the regeneration of the Cooperativa Insieme.

The stakeholders' network also played a crucial role in increasing the resilience of the cooperative to external threats such as the increase of rent of the headquarter, the competition from second-hand franchising, and the competition from the waste management industry. The case shows that the cooperative reacted by drawing on the surrounding ecosystem as a social laboratory, which is continuously in search of visionary solutions. For example, from its origins, the sale of second-hand goods was just a means for including disadvantaged and marginalized people. More recently it has become a point of connection with citizens designed to impact a wider scale (e.g. reduction in environmental and economic failures in waste management). At the same time, the threat posed by new regulations in public tenders that favour capitalist over social cooperatives has worried some of the members. Yet the same threat stimulates other members (or their surroundings stakeholders and supporters) to explore innovative solutions without compromising their founding principles. The result is a continuous search for visionary solutions within the organization, in the surrounding stakeholders' ecosystem and beyond (i.e. networks with culturally-proximate cooperatives can counterbalance the entrance of new competitors into the original ecosystem). Thus, the cooperative, in the eyes of its members and the stakeholders that support it, is a symbolic social laboratory in which new ideas, hopes and futures are debated and put into practice. The internal cohesion and the external permeability of this social laboratory feed the motivation of the members to transform their vision into practical actions even at such an advanced stage of growth. This external permeability, we argue, revealed to be fundamental in the regeneration of the cooperative.

## Conclusions

Alternative economies are not a marginal phenomenon, but a vibrant laboratory of experimentation. Our case study provides insights on how to turn ideals into action in the long run when a social cooperative starts growing and becomes a visible presence in the market. This is, thus, a contrasting perspective to the 'degeneration thesis' which assumes that non-capitalist organization tend to compromise on their founding principles when they scale up. Cooperativa Insieme is a rare case of an organization that has remained loyal to the principles of equality and internal democracy. The case highlights that alternative economies should (and can) continuously adapt to external pressure exerted by the capitalist mainstream. This adaptation, in the analysed case, led to a change in the way the commercial activities (and their implications for the organization) were perceived. This change was possible thanks to a process of trial and error at all the interfaces with stakeholders.

We believe our work supports the 'regeneration thesis', i.e. that non-capitalist (or post capitalist) organizations can 'survive' their success and expansion. The Cooperativa Insieme's model of 'organized orchestra without a director' offers an alternative aimed at preserving equal rights, inclusiveness and empowerment within the organization. Unlike 'decaf resistance', the interpretation of alternative organizations as social laboratories that survive thanks to the creation of tangible impacts on their ecosystems restores the dominance of the collective ego over the personal ego. How identity, a sense of belonging and commitment are interrelated is still far from clear, but empirical evidence shows that the alignment between ideals and ethics in action can lead to surprisingly positive results in terms of cohesion and empowerment.

The case study highlights not only the practicability but also the sustainability of an organizational model which moves equality from being merely symbolic to being something material, and which decouples responsibility from power. Although such a model might not be acceptable for everybody, and thus cultural attitudes might limit its dissemination, the social laboratory approach seems an effective way of reconciling internal (i.e. the cooperative growth) and external impacts (i.e. the social impact on the community) and gaining consensus. Unfortunately, sectorial policies still consider these experiences as oddities within a capitalistic framework, and pose a significant threat to their existence. The case of Cooperativa Insieme shows that these threats can result in a selection of models that present a viable alternative to the mainstream capitalist organization. Policy makers might be persuaded by these arguments to reconsider their approach towards SCs. Nevertheless, it is worth recognising that the results of this study draw on extensive observations and a comprehensive data collection and analysis that refer to a specific socio-economic context. Confirmation of similar findings in other contexts would certainly help to strengthen the external validity of this exploratory study. Moreover, for the sake of synthesis, the case does not treat in depth the power dynamics within the cooperative and its gender dimension. If SC are a viable alternative to capitalist enterprises, would they be also able to reframe gender relations in the work space (e.g. see (Federici 2013))? This very relevant question deserves to be addressed by future research.

Finally, the results highlight that the founding principles of social cooperative principles can survive the organizational models that govern such organizations. Competition forces a rapid evolution of this sector, thus it is hard – perhaps impossible – to predict the long-term evolution of Cooperativa Insieme. Future observations will help in understanding the long-term sustainability of a model that today appears visionary and promising.

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